

William Reilly's green precision weapons

AS A paid-up green, William Reilly has not always looked comfortable in the Bush administration. George Bush chose him to run the Environmental Protection Agency (EPA) at a time when he still thought he could co-opt and not alienate the green lobby. Mr Reilly, a veteran conservationist, scored early by helping to push through the first revision of the clean-air law in 13 years. Since then he has been repeatedly outmanoeuvred. He lost battles with the chief of staff, John Sununu, over global warming and wetland preservation. His relations with the budget director, Richard Darman, especially over energy policy, are appalling—Mr Darman calls him a "global rock star". When Congress last year held up legislation to give the EPA cabinet status, wanted by Mr Bush, some people saw the vengeful hand of Mr Darman at work.

Mr Reilly has now embarked on a job which even the cynical Mr Darman should applaud. He is trying to use risk assessment and economics—grubby workman's tools that most greens are too fastidious to touch—to redirect both the EPA's priorities and its approach to regulation.

For all the Reaganite vilification heaped on it, the EPA grew, prospered and regulated mightily in the 1980s. But its efforts were, in the words of a recent scientific report commissioned by Mr Reilly, "inconsistent, unco-ordinated and... less effective than they could have been." Too much attention was paid to low-damage but high-publicity cases like oil spills and the famous toxic waste in Love Canal, not enough to habitat loss and global warming. Much of the clean-air act is aimed at acid rain, which a giant official study has concluded is virtually a non-problem.

A telling sign of misplaced priorities, in the eyes of many critics, is the EPA's concentration on health. Something like two-thirds of the agency's staff members work on health-related, not environmental, rules. At times it has behaved more like a cancer-prevention than an environmental agency, making such scientifically dubious decisions as wanting to remove asbestos from school buildings and to ban substances with a microscopically small risk of causing cancer. Only 2-3% of cancers are caused by man-made things anyway.

Does this over-enthusiasm matter? Mr Reilly says yes, for two reasons. One is that environmental protection is too expensive to indulge in without thought of costs and benefits. It will soon take more than 2½% of America's GNP just to comply with existing rules. But the bigger point is that pursuing wrong priorities discredits greenery as a whole—just when it needs friends to defend it from hard-pressed businessmen and rabid deregulators.

Mr Reilly says he wants to stop being reactive. He would rather list the EPA's concerns in order of priority, so that the agency can "take aim before we open fire". Because it has followed public opinion in the past, the EPA has always taken the view that governments are there to stop people having to run

risks, however small. Hence, for instance, some of the more onerous provisions of the clean-air act that will produce doubtful benefits at huge cost. The EPA has an enormous education job on its hands, which should be directed at green enthusiasts and sceptics alike.

Identifying priorities is only a start. The next task is to tackle them in the most sensible way. Above all, this means using the economic incentives offered by the market, not regulations to "command and control" things. The Bush administration is proud of the pioneering use of emissions-trading in the clean-air act, which it hopes will cut sulphur-dioxide output for just over

half the cost of equivalent regulation. But that did not originate at the EPA. The EPA exists to regulate things, not to see the market do the job for it. Mr Reilly will have to make his own bureaucracy reform itself.

Even the greenest greens are coming to accept market forces (and the value of a growing economy) as a help in cleaning up the environment. Eastern Europe has shown that non-market economies with slow growth can pollute the environment more than most. But, to be really effective, Mr Reilly's enthusiasm needs stretching.

He could start with the federal government itself. The defence and energy departments, impervious to

markets, are among the country's biggest polluters. And there is a dreadful stew of federal subsidies and tax breaks (for such things as logging in Alaska, irrigation in California, grazing on federal land in Nevada) that actually subsidise those engaged in making the environment worse. A dose of market reality for get-the-government-off-our-backs westerners could benefit the environment—and save the taxpayer money.

Taxophobia

The best economic incentive to achieve environmental goals is often a tax, for it brings home to consumers the external cost of their consumption without clumsily trying to regulate it away. Yet the government has always found it safer to regulate companies than to tax consumers, and Mr Bush is especially averse to taxes. Though he is too politically cautious to admit it in public, Mr Reilly knows he needs taxes as a weapon in the environmental arsenal, even if they are disguised under another label.

Watch for two tests in the coming months. One is the revision of the clean-water act, which will be ineffective unless it includes taxes or fees on the use of pesticides and fertilisers that leach into rivers. The second will come over fuel-economy standards. Congress and the administration may go for a sharp rise in the average miles per gallon required of car makers, instead of the much more efficient solution of higher petrol taxes.

Mr Reilly may bask in the credibility he has established as Mr Bush's green man, even without being in the cabinet. But his biggest fights are yet to come.

